

SOUTH UTAH VALLEY SOLID WASTE DISTRICT

FINANCIAL STATEMENTS

JUNE 30, 2006 AND 2005

SOUTH UTAH VALLEY SOLID WASTE DISTRICT
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INDEPENDENT AUDITOR'S REPORT

Board of Directors
South Utah Valley Solid Waste District
2450 West 400 South
Springville, UT 84663-0507

October 2, 2006

We have audited the accompanying financial statements of the business-type activities of South Utah Valley Solid Waste District (SUVSWD) for the years ended June 30, 2006 and June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audits.

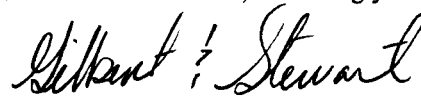
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of South Utah Valley Solid Waste District for the years ended June 30, 2006 and 2005 and the respective changes in financial position and cash flows for the years ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated on October 2, 2006 on our consideration of South Utah Valley Solid Waste District's internal control over financial reporting and our test of compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 2 through 5, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the South Utah Valley Solid Waste District basic financial statements. The schedule of revenues, expenses, and changes in net assets – budget to actual listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of South Utah Valley Solid Waste District. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.


GILBERT & STEWART
Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management of South Utah Valley Solid Waste District offers readers of the District's financial statement a narrative discussion and analysis of the financial activities for the fiscal year ending June 30, 2006. The reader is encouraged to consider the information presented here in conjunction with the independent auditors report.

History and Background

The District was established May 11, 1989 and began accepting waste on February 5, 1991. The District was established under the provisions of the Utah Special Service District Act. It was organized under the sponsorship of Provo City. We are presently composed of seven cities including Provo, Springville, Spanish Fork, Mapleton, Salem, Goshen, and Woodland Hills. The District is governed by a Board made up of one representative from each member city.

During the fiscal year ending June 30, 2006 the District accepted Woodland Hills as a new member. For the right to participate in the District, Woodland Hills is required to pay \$39,000 which will be paid over four years.

The District runs an integrated Solid Waste System which includes a Transfer Station, Landfill and two Greenwaste yards. The landfill is currently expected to have a life of 85 years. Cell 1 is estimated to stop accepting waste in approximately one year. Currently, we are using Cell 2. Cell 2 was opened and began accepting waste in February 2005. We are also expecting that the Transfer Station will need some type of expansion in four to six years to meet the needs of our customers. We are presently working on a master plan to help decide where and how to expand our operations.

Overview of the Financial Statements

The District's financial statements consist of:

- The Statement of Net Assets which presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. The increases or decreases in net assets over time, is a useful indicator of whether the financial position of the District is improving or deteriorating.
- The Statement of Revenues, Expenses, and Changes in Net Assets which presents information regarding the change in the District's net assets during the year. Revenues and expenses of the District are recognized when earned and expended regardless of the timing related to cash flow.
- The Statement of Cash Flows which presents the activities of the District on a cash-received and cash-paid basis. It shows how cash was spent and reconciles the change in the cash accounts during the year.

Financial Analysis

The District conducts its financial activities from a single enterprise fund. It currently operates with revenues gained from waste disposal fees, compost fees, grinding fees, and interest from investments. As noted earlier, net assets serve as a useful indicator over time, of a government's financial position. In the case of the District, assets exceeded liabilities by \$13,864,548 at the close of the current year. The largest portion of the District's net assets reflects its investment in capital assets (e.g. land, buildings, improvements, equipment, and furniture & fixtures). The District uses these assets to provide services to citizens; consequently, these assets are not available for future spending. It should be noted that these capital assets have no debt related to them.

The following tables summarize information presented in the financial statements over the last five years:

Net Assets

	2006	2005	2004	2003	2002
Current and Other Assets	\$ 6,349,571	\$ 5,940,026	\$ 7,811,383	\$ 7,099,683	\$ 7,528,460
Net Capital Assets	10,573,198	10,702,209	8,755,698	9,034,204	7,779,221
Total Assets	16,922,769	16,642,235	16,567,081	16,133,887	15,307,681
Current and Other Liabilities	199,212	132,275	237,155	65,004	92,059
Long-Term Liabilities	2,859,009	2,848,967	2,815,308	2,539,146	2,425,597
Total Liabilities	3,058,221	2,981,242	3,052,463	2,604,150	2,517,656
Net Assets					
Net assets invested in capital assets, net of related debt	10,573,197	10,702,209	8,755,698	9,034,204	7,779,221
Restricted -temporary	2,675,099	2,564,536	2,502,974	2,762,771	2,246,407
Unrestricted	616,252	394,248	2,255,946	1,732,762	2,764,397
Total Net Assets	\$13,864,548	\$13,660,993	\$13,514,618	\$13,529,737	\$12,790,025

Changes in Net Assets

	2006	2005	2004	2003	2002
Operating Revenues	\$4,105,005	\$3,845,261	\$3,605,094	\$3,539,481	\$3,435,232
Operating Expenses	4,265,757	3,858,288	3,728,632	2,943,438	2,930,438
Net Operating Income (Loss)	(160,752)	(13,027)	(123,538)	596,043	504,794
Non-Operating Income (Loss)	325,307	159,402	108,419	143,669	198,278
Income (Loss) before Contributions	164,555	146,375	(15,119)	739,712	703,072
Capital Contributions	39,000	-	-	-	-
Change in Net Assets	203,555	146,375	(15,119)	739,712	703,072
Net Assets - Beginning of Year	13,660,993	13,514,618	13,529,737	12,790,025	12,086,953
Net Assets - Ending of Year	\$13,864,548	\$13,660,993	\$13,514,618	\$13,529,737	\$12,790,025

Revenues

South Utah Valley Solid Waste District has two major sources of operating revenue (user fees at the transfer station and composting income) and one major source of non-operating revenue (interest from the investment of net assets).

Financial Highlights

- The assets of the District exceeded its liabilities at the close of fiscal year 2006 by \$13,864,548 (total net assets). Of this amount \$2,675,099 is restricted to meet future closure/postclosure costs for the Landfill. Cell 1 will accept waste for another year after which it will be closed. Closure of this cell will be accomplished using District personnel and equipment and paid out of the budget. The \$2,675,099 will be retained to meet future closure/postclosure liabilities of Cell 2.
- The District's total net assets increased by \$203,555
- The District had a positive cash flow from operating activities of \$1,116,924 and a net increase in cash flow of \$420,624 from \$5,462,143 in the prior year to \$5,882,767 at June 30, 2006.
- The financial position of the District was strongly affected by the addition of a composting and expansion of our dumping operations. The composting and dumping operations brought in \$197,829 in revenue.
- The District has been able to operate without incurring any debt. They have been able to pay cash for all improvements or equipment purchases.
- In the new fiscal year (2006/2007) a new grinder will be purchased at a cost of \$587,000.
- An expansion of Cell 2 and improvements to the leachate pond are expected at a cost of \$1,000,000.

Capital Assets

Capital Assets consist of the following:

	2006	2005
Land	\$ 1,680,250	\$ 1,680,250
Buildings	2,433,332	2,406,713
Equipment	6,156,337	5,509,044
Furniture and Fixtures	9,562	9,562
Improvements	8,363,759	8,341,487
Total Capital Assets	18,643,240	17,947,056
Accumulated Depreciation	(8,070,042)	(7,244,847)
Net Capital Assets	\$ 10,573,198	\$ 10,702,209

Long-Term Liabilities

The District has one major long-term liability. State and Federal laws and regulations require the District to place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for 30 years after closure. This liability is being recognized based on the future closure and post-closure care costs. That will be incurred near or after the date the landfill no longer accepts waste.

Currently the District has no other major long-term liabilities and foresees no future requirements for which the District would need to issue debt.

The District's major additions were attributable to the following items:

- Building Improvements
- Compactor
- Loader
- Scales
- Roll Off Truck
- Boom Lift

Request for Information

The financial report is designed to provide a general overview of the District's finances for all those with an interest in them. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District Manager, 2450 West 400 South, Springville, UT 84663.



BASIC FINANCIAL STATEMENTS

SOUTH UTAH VALLEY SOLID WASTE DISTRICT**STATEMENT OF NET ASSETS****JUNE 30, 2006 AND 2005**

	June 30, 2006	June 30, 2005
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 3,207,668	\$ 2,897,607
Accounts Receivable - Member Cities	182,195	124,453
Accounts Receivable - Other Trade	260,824	320,760
Allowance For Bad Debt	(4,123)	(4,444)
Prepaid Expenses	27,908	37,114
Total Current Assets	<u>3,674,472</u>	<u>3,375,490</u>
Non Current Assets		
Restricted Investments	<u>2,675,099</u>	<u>2,564,536</u>
Capital Assets		
Land	1,680,250	1,680,250
Buildings and Structures	2,433,332	2,406,713
Improvements Other Than Buildings	8,363,759	8,341,487
Equipment	6,156,337	5,509,044
Furniture & Fixtures	9,562	9,562
Total	<u>18,643,240</u>	<u>17,947,056</u>
Accumulated Depreciation	<u>(8,070,042)</u>	<u>(7,244,847)</u>
Net Capital Assets	<u>10,573,198</u>	<u>10,702,209</u>
 Total Assets	 <u>\$ 16,922,769</u>	 <u>\$ 16,642,235</u>
LIABILITIES		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 161,580	\$ 97,566
Payroll and Related Liabilities	37,632	34,709
Total Current Liabilities	<u>199,212</u>	<u>132,275</u>
Long-Term Liabilities		
Closure & Postclosure Liability	2,691,748	2,691,748
Accrued Compensated Absences	167,261	157,219
Total Long-Term Liabilities	<u>2,859,009</u>	<u>2,848,967</u>
 Total Liabilities	 <u>3,058,221</u>	 <u>2,981,242</u>
NET ASSETS		
Net Assets		
Invested in Capital Assets (net of related debt)	10,573,197	10,702,209
Restricted for Closure & Postclosure	2,675,099	2,564,536
Unrestricted	616,252	394,248
 Total Net Assets	 <u>\$ 13,864,548</u>	 <u>\$ 13,660,993</u>

See accompanying notes to financial statements.

SOUTH UTAH VALLEY SOLID WASTE DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	June 30, 2006	June 30, 2005
Operating Revenues		
User Fees	\$ 3,735,828	\$ 3,615,622
Grinding Services	92,975	59,733
Compost and Dumping Revenues	197,829	99,276
Grit Screenings	10,297	7,297
Diversion Revenues	68,076	63,333
Total Operating Revenues	<u>4,105,005</u>	<u>3,845,261</u>
Operating Expenses		
Salaries & Benefits	1,571,731	1,464,729
Contractual Services	730,429	715,103
Material and Supplies	680,023	497,975
Closure and Postclosure	-	-
Depreciation and Amortization	1,160,368	1,045,765
Other	123,206	134,716
Total Operating Expenses	<u>4,265,757</u>	<u>3,858,288</u>
Operating Income (Loss)	<u>(160,752)</u>	<u>(13,027)</u>
Non-Operating Revenues (Expenses)		
Interest Income	231,997	139,523
Gain on Sale of Equipment	78,387	7,000
Other Income (Expenses)	14,923	12,879
Total Non-Operating Revenues (Expenses)	<u>325,307</u>	<u>159,402</u>
Income (Loss) Before Contributions	164,555	146,375
Capital Contributions	39,000	-
Change in Net Assets	<u>203,555</u>	<u>146,375</u>
Net Assets - Beginning of Year	<u>13,660,993</u>	<u>13,514,618</u>
Net Assets - End of Year	<u><u>\$ 13,864,548</u></u>	<u><u>\$ 13,660,993</u></u>

See accompanying notes to financial statements.

SOUTH UTAH VALLEY SOLID WASTE DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	June 30, 2006	June 30, 2005
Cash Flows from Operating Activities:		
Cash Receipts from Customers	\$ 4,136,128	\$ 3,734,416
Cash Payments to Vendors	(1,460,438)	(1,425,043)
Cash Payments to Employees for Services and Benefits	(1,558,766)	(1,424,176)
Net Cash Provided (Used) by Operating Activities	<u>1,116,924</u>	<u>885,197</u>
Cash Flows from Non-Capital and Related Financing Activities:		
Other Income	<u>14,923</u>	<u>12,879</u>
Cash Flows from Capital and Related Financing Activities:		
Purchase of Capital Assets	(1,052,970)	(3,090,277)
Capital Contributions	9,750	-
Proceeds from Sale of Capital Assets	<u>100,000</u>	<u>105,000</u>
Net Cash Provided (Used) by Capital and Related Financing Activities:	<u>(943,220)</u>	<u>(2,985,277)</u>
Cash Flows from Investing Activities:		
Interest Income	<u>231,997</u>	<u>139,523</u>
Net Increase (Decrease) in Cash and Cash Equivalents	420,624	(1,947,678)
Cash and Cash Equivalents:		
Cash and Cash Equivalents - Beginning of Year	<u>5,462,143</u>	<u>7,409,821</u>
Cash and Cash Equivalents - End of Year	<u>\$ 5,882,767</u>	<u>\$ 5,462,143</u>
Cash and Cash Equivalents Recorded in Balance Sheet:		
Cash and Cash Equivalents - Unrestricted	\$ 3,207,668	\$ 2,897,607
Cash and Cash Equivalents - Restricted	<u>2,675,099</u>	<u>2,564,536</u>
Total Cash and Cash Equivalents	<u>\$ 5,882,767</u>	<u>\$ 5,462,143</u>

See accompanying notes to financial statements.

SOUTH UTAH VALLEY SOLID WASTE DISTRICT

STATEMENT OF CASH FLOWS (Continued) **FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>June 30,</u> <u>2006</u>	<u>June 30,</u> <u>2005</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Operating Income (Loss)	<u>\$ (160,752)</u>	<u>\$ (13,027)</u>
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (used) by Operating Activities:		
Depreciation	1,160,368	1,045,765
(Increase) Decrease in Accounts Receivable	31,123	(110,845)
(Increase) Decrease in Prepaid Lease	9,206	34,524
Increase (Decrease) in Accounts Payable	64,014	(107,644)
Increase (Decrease) in Accrued Liabilities	12,965	36,424
Increase (Decrease) in Closure and Postclosure Liability	-	-
Total Adjustments	<u>1,277,676</u>	<u>898,224</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 1,116,924</u></u>	<u><u>\$ 885,197</u></u>

See accompanying notes to financial statements.

SOUTH UTAH VALLEY SOLID WASTE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of South Utah Valley Solid Waste District (The District) conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the significant policies.

Formation of District - The South Utah Valley Solid Waste District was created May 11, 1989 for the purpose of building a landfill and transfer station and operating the same. The District's membership consists of seven municipalities (the Members) that contributed cash and other assets to form the District. The following governmental entities are members of the District:

Town of Goshen	Spanish Fork City Corporation
Mapleton City Corporation	Springville Municipal Corporation
Provo City Corporation	Woodland Hills City Corporation
Salem City Corporation	

Woodland Hills was allowed to become a member during the 2006 fiscal year. For their membership in the District they will pay \$39,000 as a capital contribution over three years.

Reporting Entity - South Utah Valley Solid Waste District is a governmental entity that operates as an enterprise fund type similar to a private business enterprise. The intent of the governing body is that the costs of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges. The reporting entity includes all funds and account types that are financially accountable to the District as defined in GASB Statement 14.

Basis of Accounting - These financial statements are prepared utilizing the accrual method of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The District applies Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

Cash and Cash equivalents - The District considers cash and cash equivalents for its statement of cash flows to include cash held in its checking and savings accounts and certain amounts invested with Utah State Public Treasurer's Investment Fund with an original maturity of three months or less.

Restricted Assets - The District has assets restricted for the closure and post-closure costs of the landfill. The policy of the District is to use unrestricted assets first and then restricted assets.

SOUTH UTAH VALLEY SOLID WASTE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

Property and Equipment - All property and equipment are included in the financial statements and are stated at historical cost. Depreciation is provided using the straight-line method over the asset's respective estimated service life. The service lives by type of asset are as follows:

Buildings	25-40 years
Improvements other than buildings	10-40 years
Equipment and vehicles	4-10 years
Furniture and Fixtures	3-10 years

Leased property under capital leases is amortized over the expected useful life of the asset using the straight-line method and is included in depreciation and amortization expense.

Encumbrance Accounting - Encumbrances lapse at year end and are subject to reappropriation. Therefore the financial statements do not provide for encumbrances.

Use of Estimates - Presenting financial statements in conformity with Generally Accepted Accounting Principles requires management to make certain estimates concerning assets, liabilities, revenues, and expenses. Actual results may vary from these estimates.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Deposits and Investments

Deposits and investments for the District are governed by the Utah Money Management Act (*Utah code annotated, Title 51, Chapter 7, "the Act."*) and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

A. Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the District to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of June 30, 2006, \$671,514 of the District's bank balances of \$691,514 were uninsured and uncollateralized.

B. Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act.

SOUTH UTAH VALLEY SOLID WASTE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

NOTE 2 – CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

The District is authorized to invest in the Utah Public Treasurers Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTF operates and reports to the participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balances.

For the Year ended June 30, 2006 the District had investments of \$5,160,393 with the PTIF. The entire balance had a maturity of less than one year. The PTIF pool has not been rated.

C. Interest Rate Risk

Interest rate risk is the risk that changes in the interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in the fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may no exceed the period of availability of the funds to be invested.

NOTE 3 - CAPITAL ASSETS

	June 30, 2004	Increase	Decrease	June 30, 2005
Capital Assets Not Being Depreciated:				
Land	\$ 1,680,250	-	-	\$ 1,680,250
Capital Assets Being Depreciated:				
Building and Structures	2,406,713	26,619		2,433,332
Improvements Other than Buildings	8,341,487	22,271		8,363,758
Equipment	5,509,044	1,034,079	386,785	6,156,338
Furniture and Fixtures	9,562			9,562
Total Capital Assets Being Depreciated	16,266,806	1,082,969	386,785	16,962,990
Less Accumulated Depreciation:				
Building and Structures	1,066,277	94,827		1,161,104
Improvements Other than Buildings	2,959,222	377,201		3,336,423
Equipment	3,215,588	685,946	335,172	3,566,362
Furniture and Fixtures	3,760	2,393		6,153
Total Accumulated Depreciation	7,244,847	1,160,367	335,172	8,070,042
Total Net Capital Assets Being Depreciated	9,021,959	(77,398)	51,613	8,892,948
Total Net Capital Assets	\$ 10,702,209	\$ (77,398)	\$ 51,613	\$ 10,573,198

SOUTH UTAH VALLEY SOLID WASTE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

NOTE 4 - RETIREMENT PLANS

Plan Description. The District contributes to the Local Government Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. In the Local Government Noncontributory Retirement System, the District is required to contribute 11.090% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The District contributions to the Noncontributory Retirement System for the years ending June 30, 2006, 2005, and 2004 were \$95,873, \$90,549, and \$64,943, respectively. The contributions were equal to the required contributions for each year.

As part of the above retirement plan, the District provides a 401K plan. The Plan is administered by the Utah State Retirement Office. The District provides a matching provision in the plan to provide a dollar for dollar match of employee contributions up to 8.2% of covered and eligible salary. The District's contributions made for employees for the years ending June 30, 2006, 2005, and 2004 were \$ 53,122, \$50,563, and \$39,646, respectively. All contributions made by the District were equal to those required.

NOTE 5 - ECONOMIC DEPENDENCY

The District is economically dependent on the services it provides to Spanish Fork City, Town of Goshen, Mapleton City Corporation, Provo City Corporation, Salem City Corporation, and Springville Municipal Corporation. The majority of the District's sanitation service revenue comes from these governmental entities.

SOUTH UTAH VALLEY SOLID WASTE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

NOTE 6 - RELATED PARTY TRANSACTIONS

The District was created for the purpose of building and operating a landfill and transfer station. The District's membership consists of six municipalities (the Members) that contributed cash or other assets to form the District. The members are also the major patrons of the District. The Members owed the District the following amounts:

	June 30, 2006	June 30, 2005
Town of Goshen	\$ 8,676	\$ 4,911
Mapleton City	0	1,218
Provo City	56,853	60,681
Salem City	5,616	6,427
Spanish Fork City	23,721	22,277
Springville City	57,182	28,939
Woodland Hills	897	-
Total	<u>\$ 152,945</u>	<u>\$ 124,453</u>

Woodland Hills are currently required to pay an additional fee treated as a capital contribution for membership in the landfill. The fee is based on determination made by the original members of the District. As of June 30, 2006, Woodland Hills owed the District the following amounts:

	June 30, 2006
Woodland Hills	<u>\$ 29,250</u>

The District's transfer station receives its utility services from Springville City (a Member). The District incurred expenses of \$71,335.90 and \$61,151 for June 30, 2006 and 2005, respectively, to Springville City for its utility services.

The following is a schedule of waste shown in tons hauled to the District from the areas within the member municipalities and Utah County for the years ending June 30, 2006 and 2005:

	June 30, 2006		June 30, 2005	
	Totals	Totals	Totals	Totals
Town of Goshen	2,765	1.96%	2,766	1.85%
Provo City	71,309	50.56%	76,973	51.38%
Springville City	27,684	19.63%	30,902	20.63%
Spanish Fork City	26,851	19.04%	26,999	18.02%
Mapleton City	4,414	3.13%	4,973	3.32%
Salem City	3,719	2.64%	3,789	2.53%
Woodland Hills	511	0.36%	-	0.00%
Utah County	3,784	2.68%	3,399	2.27%
Totals	<u>141,037</u>	<u>100.00%</u>	<u>149,801</u>	<u>100.00%</u>

*In tons

SOUTH UTAH VALLEY SOLID WASTE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

NOTE 7 - OPERATING LEASES

The District has an operating lease with the State of Utah - Division of State Lands, on real property used for a sanitary landfill. The term of the lease is for 51 years beginning January 1, 1984. The original annual lease payments were \$9,530. The State has since renegotiated the lease and the current annual lease payment is \$19,000. The lease payment is subject to review and adjustment by the State. The following is a schedule by year of future minimum lease payments required under the lease agreement as of June 30, 2006:

Fiscal Year Ending June 30,	
2007	\$ 19,000
2008	19,000
2009	19,000
2010	19,000
2011	19,000
2012-2016	95,000
2017-2021	95,000
2022-2026	95,000
2027-2031	95,000
2032-2035	66,500
Totals	<u>\$ 541,500</u>

Amount of lease payments made in 2005 and 2006 was \$19,000 respectively.

NOTE 8 - CLOSURE AND POSTCLOSURE CARE COSTS

State and Federal laws and regulations require the District to place a final cover on its Bayview landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the District reports a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,691,748 reported as landfill closure and post-closure care liability at June 30, 2006, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of Cell 1 of the landfill. The District will recognize inflationary costs for the remaining life of the cell. These amounts are based on what it would cost to perform all closure and post-closure care in 2006. The District expects to close Cell 1 of the landfill March 1, 2008. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The District has restricted cash of \$2,675,099 for the purpose of closure and post-closure as stated above. The District estimated the remaining life of the landfill to be 85 years.

SOUTH UTAH VALLEY SOLID WASTE DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2006 AND 2005

NOTE 9 - LONG-TERM LIABILITIES

The District has long-term liabilities as follows:

	June 30 2005	Increase	Decrease	June 30 2006
Compensated Absences	\$ 157,219	\$ 10,042	\$ -	\$ 167,261
Closure and Post Closure Liability	2,691,748	-		2,691,748
Total Long Term Liabilities	<u>\$ 2,848,967</u>	<u>\$ 10,042</u>	<u>\$ -</u>	<u>\$ 2,859,009</u>

NOTE 10 - LONG-TERM CONTRACTS

The District has a five-year hauling contract with William B. Huff, Inc. for hauling waste from the transfer station to the landfill at a cost \$122.50 per load. At the end of the five-year term the District has a five-year renewal option.

NOTE 11 - RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At year end there were no unpaid claims or judgments. The District purchases workers compensation insurance through the Workers Compensation Fund of Utah. The District has not incurred a claim in excess of its coverage for any of the past three fiscal years.

NOTE 12 - SUBSEQUENT EVENTS

Subsequent to the balance sheet, the District contracted to purchase a new grinder for \$587,000.

The District is in process of expanding Cell 2 which will accommodate additional waste, and in process of improving the leachate pond. These products are expected to cost approximately \$1,000,000.

SUPPLEMENTAL REPORTS

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
South Utah Valley Solid Waste District
Springville, UT 84663-0507

October 2, 2006

We have audited the financial statements of South Utah Valley Solid Waste District as of and for the year ended June 30, 2006, and have issued our report thereon dated October 2, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.


Internal Control Over Financial Reporting

In planning and performing our audit, we considered South Utah Valley Solid Waste District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Utah Valley Solid Waste District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the board of directors, management, member cities and Utah State Auditor and is not intended to be and should not be used by anyone other than these specified parties.


GILBERT & STEWART
Certified Public Accountants

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**INDEPENDENT AUDITOR'S REPORT
ON LEGAL COMPLIANCE WITH APPLICABLE
UTAH STATE LAWS AND REGULATIONS**

Board of Directors
South Utah Valley Solid Waste District
Springville, Utah 84663-0507

October 2, 2006

We have audited the accompanying financial statements of the business-type activities of South Utah Valley Solid Waste for the years ended June 30, 2006 and June 30, 2005, and have issued our report thereon dated October 2, 2006. Our audit included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal compliance Audit Guide:

Public Debt
Cash Management
Purchasing Requirements

Budgetary Compliance
Special Districts
Other General Issues

The District did not receive any major or nonmajor State grants during the year ended June 30, 2006.

The management of the South Utah Valley Solid Waste District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, South Utah Valley Solid Waste District complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2006 and 2005.


GILBERT & STEWART
Certified Public Accountants

SUPPLEMENTARY INFORMATION

SOUTH UTAH VALLEY SOLID WASTE DISTRICT
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS - COMPARED TO BUDGET
FOR THE YEAR ENDED JUNE 30, 2006

	Budget	Actual	Variance Favorable (Infavorable)
Operating Revenues			
User Fees	\$ 3,520,000	\$ 3,735,828	\$ 215,828
Grinding Services	50,000	92,975	42,975
Compost and Dumping Revenues	300,000	197,829	(102,171)
Grit Screenings	40,000	10,297	(29,703)
Diversion Revenues	4,000	68,076	64,076
Total Operating Revenues	<u>3,914,000</u>	<u>4,105,005</u>	<u>191,005</u>
Operating Expenses			
Salaries & Benefits	1,518,965	1,571,731	(52,766)
Contractual Services	760,000	730,429	29,571
Material and Supplies	644,300	680,023	(35,723)
Closure and Postclosure	-	-	-
Depreciation and Amortization	1,150,993	1,160,368	(9,375)
Other	136,000	123,206	12,794
Total Operating Expenses	<u>4,210,258</u>	<u>4,265,757</u>	<u>(55,499)</u>
Operating Income (Loss)	<u>(296,258)</u>	<u>(160,752)</u>	<u>135,506</u>
Non-Operating Revenues (Expenses)			
Interest Income	20,000	231,997	211,997
Gain on Sale of Equipment	-	78,387	78,387
Other Income (Expenses)	40,000	14,923	(25,077)
Total Non-Operating Revenues (Expenses)	<u>60,000</u>	<u>325,307</u>	<u>265,307</u>
Income (Loss) Before Contributions	(236,258)	164,555	400,813
Capital Contributions	-	39,000	39,000
Change in Net Assets	(236,258)	203,555	439,813
Net Assets - Beginning of Year	13,660,993	13,660,993	-
Net Assets - End of Year	<u>\$ 13,424,735</u>	<u>\$ 13,864,548</u>	<u>\$ 439,813</u>
Capital Outlay Expenditures	<u>\$ 1,116,000</u>	<u>\$ 1,052,970</u>	<u>\$ 63,030</u>